



## Why Open Text Corp. Is up About 1%

### Description

**Open Text Corp.** ([TSX:OTEX](#))([NASDAQ:OTEX](#)), one of the world's leading providers of enterprise information management (EIM) solutions, announced its fiscal 2018 first-quarter earnings results after the market closed yesterday, and its stock has responded by rising about 1% in early trading today. Let's break down the results and the fundamentals of its stock to determine if we should be long-term buyers today.

### Strong demand leads to double-digit growth

Here's a quick breakdown of 10 of the most notable financial statistics from Open Text's three-month period ended September 30, 2017, compared with the same period in 2016:

Metric	Q1 2018	Q1 2017	Change
Cloud services and subscription revenues	US\$193.85 million	US\$169.69 million	14.2%
Customer support revenues	US\$295.40 million	US\$210.21 million	40.5%
Licensing revenue	US\$78.23 million	US\$60.66 million	29.0%
Professional services and other revenues	US\$73.20 million	US\$51.11 million	43.2%
Total revenues	US\$640.69 million	US\$491.66 million	30.3%
Adjusted operating income	US\$201.14 million	US\$151.4 million	32.9%
Adjusted operating margin	31.4%	30.8%	60 basis points
Adjusted EBITDA	\$US219.92 million	US\$166.6 million	32.0%
Adjusted net income	US\$142.58 million	US\$105.51 million	35.1%
Adjusted earnings per share (EPS)	US\$0.54	US\$0.43	25.6%

### Should you buy Open Text today?

It was an outstanding quarter for Open Text, which shows that the momentum it had going [in fiscal 2017](#) has carried over into fiscal 2018, and the results satisfied analysts' expectations, which called for adjusted EPS of US\$0.54 on revenue of US\$631.52 million. With all of this being said, I think the market has responded correctly by sending its stock higher today, and I think it still represents a great long-term investment opportunity for three fundamental reasons.

First, it's one of the industry's best growth stocks. Open Text grew its adjusted EPS by 25.6% to US\$0.54 in the first quarter of 2018, which puts it in a great position to achieve analysts' expectations of 22.8% growth to US\$2.48 in the full year of 2018. Analysts expect further EPS growth in fiscal 2019, with current estimates calling for 9.7% growth to US\$2.72, and they have assigned a 16.2% long-term earnings-growth rate estimate.

Second, it's undervalued based on its aforementioned growth. Open Text's stock trades at just 13.9 times fiscal 2018's estimated EPS of US\$2.48 and a mere 12.7 times fiscal 2019's estimated EPS of US\$2.72, both of which are inexpensive given its current double-digit percentage earnings-growth rate and its estimated 16.2% long-term earnings-growth rate.

Third, it's a stealth dividend-growth stock. Open Text currently pays a quarterly dividend of US\$0.132 per share, equating to US\$0.528 per share on an annualized basis, which gives it a respectable 1.5% yield. Foolish investors must note that the company's [14.8% dividend hike](#) in May has it on track for fiscal 2018 to mark the fifth consecutive year in which it has raised its annual dividend payment, and I think its strong operational performance will allow this streak to continue in fiscal 2019 and beyond.

With all of the information provided above in mind, I think all Foolish investors should consider making Open Text a long-term core holding.

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2. Tech Stocks

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